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# The “Necessary Evil”:

## *State and Non-State Sector Interactions in Cuba and Effects on Public Services*

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*Five years after Lineamientos reforms were approved by the 2011 Communist Party Congress, the effects are beginning to emerge. The development of the private or non-State sector in particular has begun to cause shifts in the economic, social, and political landscape as Cuba continues to adapt to and implement these changes. This paper explores the effects of the expansion of the non-State sector on the delivery of State-run public services, especially education, health care, and other social services. Four possible orientations between the State and non-State sector are explored in general and in the context of existing literature on Cuba, and are discussed in light of observations and interviews from a two-week academic field study in Cuba. Implications for public policy and leadership are discussed in the conclusion.*

## Introduction: Cuba's Changing Context

Since Fidel Castro handed over power to his brother and fellow revolutionary Raúl Castro in 2006, a series of liberalizing economic reforms has been implemented which has captured the attention of the world, and especially of Americans. The “Lineamientos,” or guidelines, put forward by the Communist Party in 2011, outlined the plan for the “New Cuban Economy” which included both economic and social policy reforms. Sagebien & Leenson summarize the Lineamientos as follows:

*The Lineamientos offer the managers of State industries greater discretion over the use of resources and increased decision-making power. They also enable the formation of “non-State enterprises” by self-employed people and by private cooperatives. Citizens can now legally buy and sell real estate and automobiles, and they can contract to provide services. Entrepreneurs and cooperatives can (at least in principle) access goods at wholesale prices...A mixed economy of private, cooperative, State, and foreign enterprise—all of it unfolding within a socialist framework—is taking shape.<sup>1</sup>*

Of the many changes introduced by the *Lineamientos*, the provisions outlining the development of the private (non-State)<sup>i</sup> sector have been some of the most intriguing and important for Cubans. The shift from a tightly centralized country with a planned economy to one containing elements of a market economy raises questions about the direction of political and social change in Cuba, and what wider implications such a shift may have. While the *Lineamientos* definitely do not represent a movement from a socialist to a capitalist ideology, the shift towards the development of non-State enterprises does have the potential to produce radical changes in Cuban economy and society. Such changes which will also, inevitably, redefine the nature of the public or State sector and the services it provides to Cubans.

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<sup>i</sup> Generally, the term “public sector” describes those services that are owned and operated by the government or a government agency. “Private sector” refers to enterprises and organizations that are independently or collectively owned and operated. When speaking generally about these two sectors, I use the above terms. When speaking of these sectors in the Cuban context, however, I use the terms “State sector” and “non-State sector,” respectively. This is done to show the nature of the change—a move from a government controlled economy to one that offers greater opportunity for independent citizen participation and economic liberalization. It is consistent with previous scholarly literature on Cuba.

How does the growing non-State sector bump up against the “rigid boundaries”<sup>2</sup> of the State-dominated, centrally planned, Cuban economy? Now, six years after the introduction of the *Lineamientos*, how is the relationship between the State and non-State sector evolving? What impacts, if any, can be seen on the essential services that have been the source of Cuban pride and the triumph of the revolution for the past 59 years?

This paper combines a synthesis of the current literature on public and private sector relationships with interview data conducted during a two-week field study in Cuba to explore the complex relationship between the State and non-State sectors during this time of economic transition. The current dynamic exhibits elements of both competition and cooperation between the two sectors. The non-State sector is both needed and resisted by Cubans and the Cuban State, and thus has come to be thought of by most Cubans as a “necessary evil,” simultaneously sustaining and threatening the current economic and social order. This paper lays the groundwork for further exploration of these dynamics, and considers wider implications for the delivery of public services in the contemporary context of a “New Cuban Economy.”

## State and Non-State Sector Development in Cuba

In the 59 years since the Revolution, the effectiveness of some Cuban State institutions has been both stunning and confounding. Among the areas that will not be open to the new trend of privatization are education, health care, and social security administration.<sup>3</sup> One can easily see why: Cuba’s progress in education and health care has been hailed by both Cubans and by the international community as some of the greatest achievements of the revolution. Cuba boasts one of the world’s highest rates of literacy (99.8%)<sup>4</sup> and access to education. It also boasts the highest rate of enrollment in tertiary education in Latin America (88%), and more than 800 municipal university branches in the 169 Cuban municipalities.<sup>5</sup> Before the revolution, Cuba’s 7,000 doctors were mostly employed in the private sector<sup>6</sup>; today, Cuba’s doctors have been mobilized into a world-class medical force that provides universal health care to its citizens, with more medical doctors per capita than almost any other country.<sup>7</sup> Some would say that Cuba defies many development norms, since it “is a sheer development success even without having the structures and processes theoretically necessary for good governance.”<sup>8</sup> The Cuban government has committed to continuing administration of these essential services, especially the social welfare

programs, even as other subsidies are being phased out or shifted over to the non-State sector.<sup>9</sup>

However, not all State institutions have been so effective, nor has the quality of State services remained constant over the past 59 years since the revolution. State-sponsored food production (domestic agriculture) and housing are notable failures.<sup>10</sup> During the first 10 years after the revolution, the government struggled to satisfy basic needs (food, health care, access to utilities, and consumption of food and beverage). After 1985, access to health care and education began to rise, yet consumption lagged.<sup>11</sup> Even the delivery of education has wavered: in the early 1990s (coinciding with the collapse of the Soviet Union that ushered in the “special period” in Cuba), university enrollment dropped sharply because “the State could no longer guarantee jobs for university graduates.”<sup>12</sup> Today, many wonder how, given Cuba’s moderate overall economic growth performance, the government can “maintain its commitment to basic needs and an equitable income distribution.”<sup>13</sup>

The private sector, or, “the job-generating, income-producing arm”<sup>14</sup>, has been growing quickly since the *Lineamientos* were developed. According to a 2014 Cuban government report, 1,147,000 Cubans are now listed as working in the non-State sector, and of those, 483,400 are listed as “self-employed.”<sup>15</sup> Cubans can now apply for over 200 different personalized business licenses,<sup>16</sup> and more than 181 official jobs are no longer listed as being under government control, including shopkeeper, taxi driver, and construction worker. According to the above-mentioned report, these occupations are seeing some of the fastest growth in wages and monthly salaries.<sup>17</sup>

## Methods

In order to reflect the expertise and first-hand experiences of Cubans and those living and working in Cuba, qualitative data from interviews were tested against descriptions of public-private sector dynamics as described in current literature. A synthesis of literature on public-private sector relationships in general and in the Cuban economy in particular established four potential scenarios for the interaction between the State and non-State sectors. Information in the form of personal and group interviews was then gathered from a two-week field study which took place from December 8-23, 2016 in Havana, Trinidad, Playa Girón, and las Terrazas, Cuba. The field study was part of a research excursion for graduate and undergraduate students arranged by the Hatfield School of Government at Portland State University. The theme of exploration for the field study was “Governance, Community, and

Contradiction.” During the field study, interviews with a variety of sources were arranged by both the educational exchange program coordinators as well as by the course instructor. Some sources have requested to remain anonymous, but all who are directly named here have consented to their names being used in this manner.

## Possible State and Non-State Sector Interactions

The public and private sectors interact in a variety of ways, across many domains, and play different roles in different contexts. It has long been noted that there are fundamental differences between the two sectors, especially in terms of motivations<sup>18</sup>; while public agencies seek to serve the public good (and sometimes to earn public approval), private sector enterprises exist to make a profit, and thus differ greatly from State institutions, and especially from socialist State institutions. These differences are ideological as well as operational. Although there may be other forms of interaction, below are four possible ways that the developing non-State sector could interact with the State sector in Cuba.

### Competition

Worldwide, one of the main ways in which public and private sectors can interact is through competition. Previously, the State had very little competition for customers of basic services, and the development of the non-State sector has increased pressure for State enterprises to improve their services. Thus, when the State and non-State sectors compete in today’s Cuba, “State enterprises are facing the stark choice of becoming efficient (i.e. profitable) or closing their doors.”<sup>19</sup> Although services like education and health care do not face direct non-State competition, “even these crowned jewels of the revolution would have to be subject to the State’s ability to pay”<sup>20</sup>—an ability which can be compromised if revenues from State enterprises that *do* directly compete with private businesses fall.

Another possible arena of competition between the State and non-State sectors is that of workforce and labor resources. It is estimated that 20% of the labor force will be laid off in the coming years from state sector in the name of efficiency.<sup>21</sup> As far back as 2014, economic reports show fewer workers entering some State sectors.<sup>22</sup> The number of working-age Cubans employed in the non-State sector has more than tripled since the 1990s, and now stands at 30% of the workforce—at least 1-1.5 million working-age

Cubans—and rising.<sup>ii</sup> Private sector occupations typically offer higher wages<sup>23</sup>; an incentive that proves to be an incredibly powerful attractor, especially for younger Cubans. Indeed, “Upward mobility in Cuba from 1990-2010 has been almost completely due to non-State sector growth.”<sup>24</sup> How these State agencies will continue to attract and retain a qualified workforce in light of a more competitive job market will be an increasingly important question in the years to come.

## Transference of Techniques and/or Values

It is the element of competition that gives rise to the private sector’s driving feature: innovation. In an effort to stay ahead of competitors, private enterprises are constantly looking for new ways to operate, produce, and serve. This not only leads to breakthrough ideas, but also to greater efficiency—both of which are also needed in the public sector. There is a long history of borrowing and adapting innovations, techniques, and theories between public, private, and nonprofit sectors. Even in the Cuban context, this kind of cross-sector transference is not totally unknown. As LeoGrande explains, “even before the collapse of European Communism, Raúl [Castro] pushed Cuba’s defense industries to adopt Western Management techniques to improve productivity.”<sup>25</sup> The *Lineamientos*’ reference to “non-State management formulas” and “non-State modalities” seems to be an acknowledgement of this.<sup>26</sup>

The discussion of public-private sector “borrowing” can be politically charged and heavily based in value assumptions. Proponents of New Public Management, for example, argue that integrating techniques and values from the private sector focused on efficiency, effectiveness, and innovation will improve the quality of service and promote accountability and stewardship of public resources. According to Catá Backer, much of the study of Cuban economic reform has focused on this “transition argument,” which holds that “ideological issues will evaporate once Cuba makes the jump from a Marxist-Leninist planned economy model to a Western-oriented free market Democracy.”<sup>27</sup> Because of their belief that a democratic governance and a free-market economy are mutually reinforcing, many international organizations like the World Bank, the United Nations Development Program

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<sup>ii</sup> *Unemployment can be considered very low to negligible in these numbers. Many Cubans claim that, because the State views work as a fundamental right, that there is no unemployment in Cuba- anyone who is of working age and ability who is not working is doing so by choice.*

(UNDP), and the United States Agency for International Development (USAID) have made very strong efforts to “encourage the utilization of private sector approaches and non-governmental organizations in the delivery of public services.”<sup>28</sup>

In many contexts, we see the public sector adapting management techniques, technological innovations, and marketing strategies from the private sector, a kind of *positive* transference which is thought to help the public sector to increase efficiency and productivity. In Cuba, such changes in operating behavior could have major impacts on the State sector, given its large size and wide reach in Cuban life. However, cross-sector transference need not necessarily be unidirectional; it is very possible that deeply entrenched State sector norms could influence how non-State enterprises operate. One Cuban-American scholar on the subject has concluded that the opportunities for corruption inherent in the current system could actually hurt the developing non-State sector.<sup>29</sup>

## Cooperation and Collaboration

Another possible orientation of public sector towards the private sector is that the two may work in tandem, developing a symbiotic and mutually reinforcing relationship. In this scenario, the private sector would assist in carrying out what are currently strictly government functions, filling various consumer niches, and freeing up limited government resources and revenues to use elsewhere. Public-Private Partnerships and hybrid service delivery are pervasive in both developed and developing countries.<sup>30</sup> This practice is so widespread, one researcher even found that in a study involving numerous countries, “there is no municipal government function that has not, in one community or another, been contracted-out to the private or non-profit sector.”<sup>31</sup> In the U.S., for example, government-funded health and human services are more often delivered through non-profit organizations than through government agencies.<sup>32</sup>

As the non-State sector develops in Cuba, the potential for cooperation and collaboration is very promising. New enterprises could change the nature of public service delivery through partnerships and co-delivery of services. In fact, the *Lineamientos* themselves outline the conditions of such partnerships:

*The business relations between companies, State-funded entities and non-State organizations shall be formalized in economic contracts. The quality of the negotiation, drafting, execution and operation of these contracts, as well as the claims arising from their terms and the oversight of their*



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*compliance shall be a requirement and an essential tool for economic management.*<sup>33</sup>

In this scenario, the non-State sector can actually aid the State sector in providing jobs for displaced workers as the State sector aims to improve overall efficiency and reduce its huge size. With the layoff of thousands of government employees in the name of efficiency,<sup>34</sup> the non-State sector's ability to absorb workers, and how the State manages this, will be crucial in coming years. The non-State sector may actually help the State maintain its commitment to work as a fundamental right for the Cuban people; harnessing the power of the non-State sector to accomplish such tasks would promote the creation of private jobs and spur economic development while unburdening the State to focus on providing essential services.

## Restriction

A final scenario considered here is one in which the State uses its political and legislative powers to restrict or exploit the activities of the non-State sector. In a thorough analysis of the State's role in current reforms in Cuba, Sánchez Egozcue and Cordoví<sup>35</sup> assert that, "although the State acts as a regulator and intermediary by planning strategy and redistribution, tensions remain. They stem naturally from the differences in operating environment." These tensions are a breeding ground for political turmoil. This phenomenon is certainly not specific to the Cuban situation. Rosenbaum<sup>36</sup> notes that, "governments have increasingly relied upon regulation of the private sector as a vehicle to achieve particular public policy ends."<sup>37</sup> Although we usually focus on the "positive" changes associated with the growth of a private business sector, negative reactions by the State could be equally important. It should be noted, however, that even this pushback shows a *reaction* to the non-State sector, and in some small way represents a change in the way the State normally operates.

## Observations and Interviews from Field Study

Data from observation and interviews conducted during the field study suggest that while the relationship between the State and developing non-State sector exhibit some degree of all of the scenarios mentioned above, the emerging trend is one of competition and cooperation. Evidence regarding each scenario is considered in turn below.

## Competition

In Cuba, the non-State sector is known to deliver higher quality goods and services,<sup>38</sup> and those who can afford to will likely choose to patronize these providers over the State sector alternatives whenever possible. In the areas where State and non-State enterprises overlap, several sources indicated that there is a noticeable degree of competition. In particular, State-run customer services such as restaurants and repairs have faced increased pressure from the higher quality and efficiency of services offered by emerging non-State sector providers. This inter-sector competition benefits the Cuban consumer, according to Camilo Condis, an employee of a small business in Havana. "Competition always benefits the consumer," he said, adding that, "the producer evolves thanks to the consumer."<sup>39</sup> When asked why the Cuban government tolerates this sort of competition instead of simply using its power to crush private businesses, he said, "they never saw the potential of the private sector... they need us."<sup>40</sup>

Competition for labor resources is also evident. According to two experts on the Cuban economy, in the 1990s, 90% of the workforce was employed in the State sector.<sup>41</sup> Today, the shifting trend shows 30% of the workforce employed in the non-State sector.<sup>42</sup> Highly skilled and State-educated workers are choosing lower-skilled jobs in the private sector for, "greater independence and more money."<sup>43</sup> In the words of the EU Ambassador, Herman Portocarero, "you just don't get good money in the public sector."<sup>44</sup>

University enrollment has actually declined in the last three years, according to Dr. Enrique Cabezas, a social scientist at a Cuban research institution.<sup>45</sup> A young Havana local noted that many young Cubans are forgoing completion of their education because they do not want to be obligated to work in the State for the required three years after graduation, preferring instead to try their hand in the private sector.<sup>46</sup> On the other hand, in the words of one Cuban academic, "people go into the State sector because they believe in what they are doing."<sup>47</sup> This rise of a distinct motivational base for public service, especially in light of the patriotism associated with the revolution, is therefore, a consequence of competition from the non-State sector.

Therefore, in Cuba, as in many developing and transitioning countries, the public sector does not always attract the most talented workforce.<sup>48</sup> While Cubans almost unanimously agree that the State provides high quality education, many do not pursue employment in their field of study in the State sector. Highly educated Cubans pursuing non-State jobs, or taking a second

jobs in the non-State sector, particularly in the service sector, is a well-noted phenomenon.<sup>49</sup>

This exodus of highly-skilled and highly-educated workers away from the State sector can be seen as a form of the “brain drain” which leaves the workforce struggling to recruit trained and talented employees. The waning appeal of State employment could, in turn, lead to the State as a “default” employer for workers who are not competitive enough to be hired into the non-State sector. The trend is indeed altering the composition of public sector employees- a phenomenon already noted in many countries with a flourishing private sector, not the least the United States. How these State agencies will continue to attract and retain a State workforce in light of competitive market forces will be an increasingly important question in the years to come. The government will, however, need to continue to offer incentives for workers to enter the public sector—for example, by increasing wages, which is already being attempted in some fields.<sup>50</sup>

## Transference of Techniques and/or Values

As yet, this sort of transference of management or operation techniques from the non-State to State sector, or vice versa, was not very widely practiced, according to most of the sources interviewed in Cuba. This is likely due to the fledgling nature of the non-State sector (which has yet to develop to the extent that established norms and practices have been standardized and shared even amongst other non-State organizations) and the lack of a standardized system for business education. This also may be attributable to the strong ideological pushback to the “transition argument” mentioned above, since many Cubans do not want to see changes to some of their most beloved State-run services, especially health care and education.

The Cuban education system, however, is one place where we can see the initial inklings of a government entity experiencing pressure to alter its methodologies in response to these economic changes. In response to “frustrations with the education system,”<sup>51</sup> universities have been developing some programs to train students for the skills needed for employment in the private sector. For example, business, entrepreneurship, and management are all fields of study that have yet to be introduced to the Cuban education system. According to one source, the *Federacion de Mujeres Cubanas*, a non-State group, has lobbied the government to provide such training for women.<sup>52</sup> Some State-initiated organizations, including the Federation of Cuban Workers (the country’s central labor union) and some groups within the

university communities themselves, are also pressing the government to develop education that is more relevant to the growing non-State sector.

The emergence of non-State sector leadership also creates the potential for a transference of non-State sector values, as these new leaders and associated interest groups become an increasingly powerful voice in the Cuban public and political sphere. Currently, this voice is small but growing and, so far, "positive."<sup>53</sup> When the non-State sector has matured sufficiently to articulate its own needs and interests, we can likely expect leaders to emerge who will advocate on their behalf and further engage with the political process.<sup>54</sup> As Mr. Condis explained, currently, local and community-based businesses have no formal lobbying power, even when it comes to the allocation of their tax dollars. "No matter how much you pay in taxes," he said, "and no matter how many problems you have, you don't have any power to lobby and get them fixed."<sup>55</sup> As the non-State sector continues to provide much needed jobs and capital for Cuban citizens, this voice may become louder. This is especially important given the growing number of "socially-minded businesses,"<sup>56</sup> which put community concerns at the core of their mission. The crossover of leaders from private business to public politics, bringing ideas and techniques with them, can be observed in many countries and communities around the world, and is a trend that may continue to evolve in Cuba.

## Cooperation

Multiple Cubans that I interviewed expressed the need for the State sector to turn over or contract out non-essential functions to private sector enterprises.<sup>57</sup> <sup>58</sup> One Cuban academic illustrated this point by offering the example of canteens in State-run facilities; "the State should not be wasting its resources on that," she said.<sup>59</sup> She suggested that the State should instead turn this function over to a privately or cooperatively owned organization that can provide the service more efficiently and with better quality service. As an example of the greater efficiency in completion of public projects, she offered the case of a building renovation on the University of Havana campus. One side of the building was renovated by a State-run company and the other side was renovated by a private company. Seeing the two outcomes so clearly compared was very telling; the State-run job took much longer, and the final result was of a much lower quality. However, according to one Cuban economist, the practice of public-private partnerships has not been very widely implemented as yet.<sup>60</sup>

Contracting out, privatization, or partnering can free up resources for the State to use towards safeguarding and reinforcing the public institutions that Cubans value, such as education and health care, which are currently struggling as the government tries to maintain its massive scope with limited resources. According to Dr. Enrique Cabezas, social spending in general has actually decreased in the past few years, although it is still very high.<sup>61</sup> For example, the normal amount of time for Cubans to be in the higher education system has decreased from five years to four years in an effort to reduce government spending on education. According to one scholar of Cuba, “the government no longer has the capacity for food or health care.”<sup>62</sup> According to Dr. Carlos Lopez, a Havana-based physician, 25% of the country’s GDP is spent on maintaining its health care system.<sup>63</sup> The emergence of more non-State organizations has begun to outline a pathway for assuming some functions currently played by the State, which will free the State to focus on these essential services. Those with a “social mission,” especially, can actually bolster the efforts of State-run social services and play a role in community development. If combined with the implementation of an updated tax structure and strong tax code enforcement, the government may actually be able to increase the amount of revenue that the State can spend on essential social services as people gain more independent wealth.

The idea that the non-State sector can assist maintenance of core Cuban commitments or values is also sometimes echoed in the discussion of job market changes. The State has struggled to maintain employment opportunities for such a large workforce; with the number of ministries reduced by at least 27% in the past five years, and the number of State-run companies cut by 34%<sup>64</sup>, the State has been forced to turn to the non-State sector to continue to provide jobs for all Cubans. One point in the *Lineamientos* specifically calls for the “restructure [of] employment and wages, with consideration given to non-State management formulas where desirable, with a view to eliminating bloated payrolls in all the economic sectors and making sure that labor occupation becomes the main source of income for the individual.”<sup>65</sup> Again, the rhetoric of the non-State sector as a “necessary evil” comes into play, and many Cubans feel that one of the reasons for the provisions of the *Lineamientos* is to maintain commitment to the belief in work as a fundamental right for Cuban citizens. While the non-State sector may represent strong competition for labor resources (as discussed above), it also represents a huge support to the state by helping maintaining the salience of current values and ideologies. This kind of mentality gives rise to the idea of a “Solidarity Economy,”<sup>66</sup> in which the State and non-State sectors act as mutually reinforcing and supporting, rather than being locked in competition.

## Restriction

Three Cuban sources mentioned that since the death of Fidel Castro there has been an ideological retrenchment by the State in an effort to prove that the disappearance of such a strong figure does not constitute a moment of radical societal change.<sup>67</sup> This retrenchment has caused some tensions (some even describe it as "hostility"<sup>68</sup>) towards the non-State sector as the State clings tightly to its socialist framework. One U.S. Foreign Service Officer characterized this as a "crackdown" on private businesses, a limiting of private licensing, and a strengthening of already overly-strict regulations on the non-State sector in general.<sup>69</sup> To some, this appears to be a symptom of the resistance to competition by private enterprises and a general distrust of private ownership and the development of independent wealth.

Mr. Condis, an employee of a small private business, did confirm that there are serious difficulties in accessing supplies and inputs, and that the State limits non-State businesses' access to wholesale markets.<sup>70</sup> This unfortunate difficulty not only restricts profitability, it also encourages the persistence of the black market and encourages what one source calls, "a culture of stealing."<sup>71</sup> Mr. Condis also noted that import taxes are incredibly high for the products that many small businesses have to get from overseas suppliers.<sup>72</sup> Imposing barriers of this kind may be intended to curtail the rapid growth of the non-State sector.

In addition, there are still areas which are strictly State-controlled and will not be open to privatization any time soon. According to a U.S. Diplomat at the U.S. Embassy in Havana, "all heavy industry will remain in State hands."<sup>73</sup> Again, as mentioned, there are no plans for private interests to enter health care, education, or senior care. In one sense this can be seen as State protection of these industries. However, it is important to note that, in general, there is a strong sentiment among Cubans that there should not be significant changes to the fundamental nature of these core public services administered by the State; Cubans highly value their access to these State services and do not want to see it turned over to private interests. In the words of one Cuban academic, "We have some political problems in Cuba. We need to make some changes to the economic system. But there are some things we have from the revolution, education, health care, and senior care, which we are very proud of and that have been very good for us. We don't want to lose those things."<sup>74</sup> This attitude may act as a sort of popularly-imposed restriction on non-State intervention in some State-run services.

The Cuban government is not passing legislation that explicitly restricts the non-State sector; they were, in fact, the creator of the *Lineamientos* that allowed for its recent emergence. However, the State is also not doing anything to explicitly offer incentives or manage its development either. This lack of institutional support does seem to hamper the growth and cause it to evolve in a “twisted, deformed way.”<sup>75</sup> Many small businesses get their startup capital from remittances,<sup>76</sup> which is both inefficient and unfairly skewed towards those with relatives in foreign countries. Correcting this would cause a major shift in the paradigm of the Cuban State sector: State employees and State agencies would be concerned with regulating, and monitoring, and managing relationships with external entities, rather than simply self-maintenance. This would indeed change the nature of the Public Sector and the Administration of public services in Cuba.

## Conclusions and Implications

Seven years have passed since the introduction of the *Lineamientos*, and the relationship between the State and non-State sectors in Cuba is dynamic and still taking shape. Many Cuban sources that I interviewed felt that development of the non-State sector spurred by the *Lineamientos* reforms have been small, but important, and suggested that it is too soon to fully tell how the delivery of State sector services has changed in response to non-State sector development. Changes to the Cuban economy are by no means complete and have not yet fully reached the extent outlined in the *Lineamientos* reforms. Yet the changes underway in Cuba offer a rare and exciting opportunity to study the initial formation of the relationship between the Public and Private sector and shows how this relationship can influence the delivery of public services. Generally speaking, the current thinking is that “there is room in the economic reforms for a boom in private businesses... together with a continuation of ‘State-funded entities.’”<sup>77</sup> Indeed, the Cuban Communist Party must believe this to some extent, as it has produced the legislation to support the expansion of the non-State sector. The *Lineamientos* themselves state that, “the economic policy is based on the concept that socialism, rather than egalitarianism, means equal rights and opportunities for all citizens,”<sup>78</sup> which may indicate a shift in thinking about the nature of the State as an institution and the role of the State in Cuban public life.

Currently, some degree of all four of the State/non-State orientations mentioned above can be seen in Cuba, but the relationship can be most accurately described as simultaneously competitive and mutually supportive—a “necessary evil,” as the Cuban adage goes. As the non-State

sector continues to expand and play a larger role in Cuba, the State sector will need to undergo a reformation and a redefinition. As it will no longer be the sole employer and the sole supplier of products and services, the State sector will take on a different function and will occupy a different space in Cuban society. While the primary and essential State-administered services, especially education and health care, will remain totally under the control of the State, there will inevitably be changes in the way these services are administered as a consequence of changes to the nature of public work in general and as the role of the State shifts. Health care, for example, may find that they will need to be responsive to a new set of social conditions that produce different kinds of doctors, as well as different kinds of diseases. Education, in particular, will need to adapt and respond to the needs of a drastically changing workforce. Public works and infrastructure may find itself trying to keep up with the expanding demands of private companies. Whatever the task, State-run services will find themselves under a new set of operating procedures as the composition, function, and the management of the State sector are shaped by the changes underway.

The State will need to take on *new* functions as well. Creating and enforcing regulations regarding private sector activities and creating relationships with external entities will be at the top of this list. Creating public-private partnerships and incentivizing collaboration and non-State sector growth may also be new tasks for the State. To fully harness the power of this new economic dynamism, there will need to be an effective, fair, and enforceable tax structure. If it is to stop growing in a "twisted, deformed way," better regulation, policy, and management is needed to make sure the growth is healthy and keeps the *Lineamientos*' promise that "no one will be left unprotected."<sup>79</sup>

To accomplish all of this, Cuba will need to redefine the role of the State sector and distinguish it from other forms of employment by instituting a system of education and training for public managers, public administrators, and public employees in general. Currently, Cuba offers no training for public managers or public employees.<sup>80</sup> Given that until the 1990s 90% of Cuban workers were employed by the State, it hardly seemed necessary to articulate the specific values of public service, as public service was the default. But, in light of the *Lineamientos*, the changing relationship between the State and non-State sectors, and the differences inherent in their aims and methods, education for public servants is needed now more than ever. With it, Cuba will be on the way towards the future it desires: a socialist system that provides free, fundamental services to all of its citizens, and a healthy, growing economy.



## Notes

- <sup>1</sup> Julia Sagebien and Eric Leenson, "Cuban Remix: In Measured but Far-Reaching Ways, a State-Controlled Economy is Opening a Space for Socially Responsible Enterprise," *Stanford Social Innovation Review* (Winter 2015), 59.
- <sup>2</sup> Larry Catá Backer, "The Cuban Communist Party at the Center of Political and Economic Reform: Current Status and Future Reform," *Working Papers: Coalition for Peace & Ethics* No. 7-2 (2015), 14.
- <sup>3</sup> William M. LeoGrande, "Cuba's Perilous Political Transition to the Post-Castro Era," *Journal of Latin American Studies* 47, no. 2 (2015), 392.
- <sup>4</sup> CIA World Factbook, "Field Listing: Literacy," accessed April, 14, 2018, [https://www.cia.gov/library/publications/the-world-factbook/fields/print\\_2103.html](https://www.cia.gov/library/publications/the-world-factbook/fields/print_2103.html).
- <sup>5</sup> Claes Brundenius, "Revolutionary Cuba at 50: Growth with Equity Revisited," *Latin American Perspectives* 36, no. 165 (2009), 37.
- <sup>6</sup> Ibid.
- <sup>7</sup> CIA World Factbook, "Field Listing; Physician Density," accessed April 14, 2018, <https://www.cia.gov/library/publications/the-world-factbook/fields/2226.html>.
- <sup>8</sup> Berta Esperanza Hernández-Truyol, "Cuba and Good Governance," *Transnational Law & Contemporary Problems* 14, no. 6 (2004), 669.
- <sup>9</sup> LeoGrande, "Cuba's Perilous Political Transition to the Post-Castro Era," 395.
- <sup>10</sup> Brundenius, "Revolutionary Cuba at 50: Growth with Equity Revisited," 42.
- <sup>11</sup> Ibid., 35.
- <sup>12</sup> Ibid., 36.
- <sup>13</sup> Ibid., 35.
- <sup>14</sup> Hernández-Truyol, "Cuba and Good Governance," 657.
- <sup>15</sup> Oficina Nacional de Estadística y Información, *Anuario Estadístico de Cuba 2014: Capítulo 7: Empleo y Salarios*, 2015, <http://www.one.cu/aec2014/07%20Empleo%20y%20Salarios.pdf>.
- <sup>16</sup> Jorge I. Domínguez, *Cuban Economic and Social Development: Policy Reforms and Challenges in the 21st Century* (Cambridge, MA: Harvard University Press, 2012).
- <sup>17</sup> Oficina Nacional de Estadística y Información, *Anuario Estadístico de Cuba 2014: Capítulo 7: Empleo y Salarios*.
- <sup>18</sup> James L. Perry and Lois Recascino Wise, "The Motivational Bases of Public Service," *Public Administration Review* 50, no. 3 (1990), 367-373.

- <sup>19</sup> LeoGrande, "Cuba's Perilous Political Transition to the Post-Castro Era," 392
- <sup>20</sup> Ibid., 391.
- <sup>21</sup> Ibid., 395.
- <sup>22</sup> Oficina Nacional de Estadística y Información, *Anuario Estadístico de Cuba 2014: Capítulo 7: Empleo y Salarios*.
- <sup>23</sup> Sagebien and Leenson, "Cuban Remix: In Measured but Far-Reaching Ways, a State-Controlled Economy is Opening a Space for Socially Responsible Enterprise," 59.
- <sup>24</sup> Domínguez, *Cuban Economic and Social Development: Policy Reforms and Challenges in the 21st Century*, 16.
- <sup>25</sup> LeoGrande, "Cuba's Perilous Political Transition to the Post-Castro Era," 388.
- <sup>26</sup> Sixth Congress of the Communist Party of Cuba, *Resolutions on the Guidelines of the Economic and Social Policy of the Party and the Revolution*, adopted April 18, 2011, <http://www.cuba.cu/gobierno/documentos/2011/ing/1160711i.html>.
- <sup>27</sup> Catá Backer, "The Cuban Communist Party at the Center of Political and Economic Reform: Current Status and Future Reform," 1.
- <sup>28</sup> Allen Rosenbaum, "Cooperative Service Delivery: The Dynamics of Public Sector-Private Sector-Civil Society Collaboration," *International Review of Administrative Sciences* 72, no. 1 (2006), 45.
- <sup>29</sup> Catá Backer, "The Cuban Communist Party at the Center of Political and Economic Reform: Current Status and Future Reform," 21.
- <sup>30</sup> Jeroen Van Der Heijden, "Interacting State and Non-State Actors in Hybrid Settings of Public Service Delivery," *Administration & Society* 47, no. 2 (2015), 99-121; Rosenbaum, "Cooperative Service Delivery: The Dynamics of Public Sector-Private Sector-Civil Society Collaboration," 43-56.
- <sup>31</sup> Kevin Lavery, *Smart Contracting for Local Government Services: Processes and Experience*, (Westport, CT and London: Praeger Publishers, 1999), quoted in Rosenbaum, "Cooperative Service Delivery: The Dynamics of Public Sector-Private Sector-Civil Society Collaboration."
- <sup>32</sup> Rosenbaum, "Cooperative Service Delivery: The Dynamics of Public Sector-Private Sector-Civil Society Collaboration," 43-56.
- <sup>33</sup> Sixth Congress of the Communist Party of Cuba, *Resolutions on the Guidelines of the Economic and Social Policy of the Party and the Revolution*.
- <sup>34</sup> LeoGrande, "Cuba's Perilous Political Transition to the Post-Castro Era," 395.
- <sup>35</sup> Jorge Mario Sánchez Egozcue and Juan Triana Cordoví, "An Overview of the Cuban Economy, the Transformations Underway and the Prospective Challenges it Faces," Real Instituto el Cano, November 3, 2008, [http://www.realinstitutoelcano.org/wps/portal/web/rielcano\\_en/contenido?WCM\\_GLOBAL\\_CONTENT=/elcano/elcano\\_in/zonas\\_in/dt31-2008](http://www.realinstitutoelcano.org/wps/portal/web/rielcano_en/contenido?WCM_GLOBAL_CONTENT=/elcano/elcano_in/zonas_in/dt31-2008).

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- <sup>36</sup> Rosenbaum, “Cooperative Service Delivery: The Dynamics of Public Sector-Private Sector-Civil Society Collaboration,” 43-56.
- <sup>37</sup> Ibid., 51.
- <sup>38</sup> Sagebien and Leenson, “Cuban Remix: In Measured but Far-Reaching Ways, a State-Controlled Economy is Opening a Space for Socially Responsible Enterprise,” 59.
- <sup>39</sup> Camilo Condis, personal communication, December 9, 2016.
- <sup>40</sup> Ibid.
- <sup>41</sup> Anonymous Cuban academic, group interview, December 14, 2016; Anonymous Cuban economist, personal communication, December 12, 2016.
- <sup>42</sup> Oficina Nacional de Estadística y Información, *Anuario Estadístico de Cuba 2014: Capítulo 7: Empleo y Salarios*.
- <sup>43</sup> Camilo Condis, personal communication, December 9, 2016.
- <sup>44</sup> Herman Portocarero, personal communication, December, 8 2016.
- <sup>45</sup> Enrique Cabezas, personal communication, December 12, 2016.
- <sup>46</sup> Anonymous young Havana local, personal communication, December 10, 2016.
- <sup>47</sup> Anonymous Cuban academic, group interview, December 14, 2016.
- <sup>48</sup> Rosenbaum, “Cooperative Service Delivery: The Dynamics of Public Sector-Private Sector-Civil Society Collaboration,” 43-56.
- <sup>49</sup> Domínguez, *Cuban Economic and Social Development: Policy Reforms and Challenges in the 21st Century*.
- <sup>50</sup> Oficina Nacional de Estadística y Información, *Anuario Estadístico de Cuba 2014: Capítulo 7: Empleo y Salarios*.
- <sup>51</sup> Meg Crahan, personal communication, December 13, 2016.
- <sup>52</sup> Anonymous Cuban academic, group interview, December 14, 2016.
- <sup>53</sup> Enrique Cabezas, personal communication, December 12, 2016.
- <sup>54</sup> Anonymous Cuban academic, group interview, December 14, 2016.
- <sup>55</sup> Camilo Condis, personal communication, December 9, 2016.
- <sup>56</sup> Enrique Cabezas, personal communication, December 12, 2016.
- <sup>57</sup> Camilo Condis, personal communication, December 9, 2016.

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<sup>58</sup> Anonymous Cuban academic, group interview, December 14, 2016.

<sup>59</sup> Ibid.

<sup>60</sup> Ibid.

<sup>61</sup> Enrique Cabezas, personal communication, December 12, 2016.

<sup>62</sup> Meg Crahan, personal communication, December 13, 2016.

<sup>62</sup> Anonymous Cuban academic, group interview, December 14, 2016.

<sup>63</sup> Carlos Lopez, personal communication, December 13, 2016.

<sup>64</sup> Anonymous Cuban academic, group interview, December 14, 2016.

<sup>65</sup> Sixth Congress of the Communist Party of Cuba, *Resolutions on the Guidelines of the Economic and Social Policy of the Party and the Revolution*.

<sup>66</sup> Enrique Cabezas, personal communication, December 12, 2016.

<sup>67</sup> Herman Portocarero, personal communication, December, 8 2016; Steve Martelli, personal communication, December 14, 2016; Anonymous, personal communication, December 12, 2016.

<sup>68</sup> Steve Martelli, personal communication, December 14, 2016.

<sup>69</sup> Ibid.

<sup>70</sup> Camilo Condis, personal communication, December 9, 2016.

<sup>71</sup> Anonymous Cuban academic, group interview, December 14, 2016.

<sup>72</sup> Camilo Condis, personal communication, December 9, 2016.

<sup>73</sup> Steve Martelli, personal communication, December 14, 2016.

<sup>74</sup> Anonymous Cuban academic, group interview, December 14, 2016.

<sup>75</sup> Ibid.

<sup>76</sup> Anonymous Cuban economist, personal communication, December 12, 2016.

<sup>77</sup> Marcello Vieta, "Cuba's Coming Co-operative Economy? Reflections from two recent field trips," Global Research, July 18, 2012, <http://www.globalresearch.ca/cuba-s-coming-co-operative-economy/31966>.

<sup>78</sup> Sixth Congress of the Communist Party of Cuba, *Resolutions on the Guidelines of the Economic and Social Policy of the Party and the Revolution*.

<sup>79</sup> Sixth Congress of the Communist Party of Cuba, *Resolutions on the Guidelines of the Economic and Social Policy of the Party and the Revolution*.

<sup>80</sup> Anonymous Cuban academic, group interview, December 14, 2016.

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